

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE SENATE BILL 6307**

53rd Legislature  
1994 Regular Session

Passed by the Senate March 6, 1994  
YEAS 36 NAYS 11

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**President of the Senate**

Passed by the House March 3, 1994  
YEAS 53 NAYS 41

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**Speaker of the  
House of Representatives**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 6307** as passed by the Senate and the House of Representatives on the dates hereon set forth.

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**Secretary**

FILED

**Secretary of State  
State of Washington**

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**SUBSTITUTE SENATE BILL 6307**

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AS AMENDED BY THE HOUSE

Passed Legislature - 1994 Regular Session

**State of Washington                      53rd Legislature                      1994 Regular Session**

**By Senate Committee on Health & Human Services (originally sponsored by Senators Talmadge and Winsley; by request of Health Care Authority)**

Read first time 02/25/94.

1            AN ACT Relating to clarifying health care authority powers and  
2 duties; amending RCW 41.05.075, 70.47.020, 70.47.060, and 70.47.130;  
3 reenacting and amending RCW 41.05.021 and 41.05.050; and creating a new  
4 section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6            **Sec. 1.** RCW 41.05.021 and 1993 c 492 s 215 and 1993 c 386 s 6 are  
7 each reenacted and amended to read as follows:

8            (1) The Washington state health care authority is created within  
9 the executive branch. The authority shall have an administrator  
10 appointed by the governor, with the consent of the senate. The  
11 administrator shall serve at the pleasure of the governor. The  
12 administrator may employ up to seven staff members, who shall be exempt  
13 from chapter 41.06 RCW, and any additional staff members as are  
14 necessary to administer this chapter. The administrator may delegate  
15 any power or duty vested in him or her by this chapter, including  
16 authority to make final decisions and enter final orders in hearings  
17 conducted under chapter 34.05 RCW. The primary duties of the authority  
18 shall be to administer state employees' insurance benefits and retired  
19 or disabled school employees' insurance benefits, study state-purchased

1 health care programs in order to maximize cost containment in these  
2 programs while ensuring access to quality health care, and implement  
3 state initiatives, joint purchasing strategies, and techniques for  
4 efficient administration that have potential application to all state-  
5 purchased health services. The authority's duties include, but are not  
6 limited to, the following:

7 (a) To administer health care benefit programs for employees and  
8 retired or disabled school employees as specifically authorized in RCW  
9 41.05.065 and in accordance with the methods described in RCW  
10 41.05.075, 41.05.140, and other provisions of this chapter;

11 (b) To analyze state-purchased health care programs and to explore  
12 options for cost containment and delivery alternatives for those  
13 programs that are consistent with the purposes of those programs,  
14 including, but not limited to:

15 (i) Creation of economic incentives for the persons for whom the  
16 state purchases health care to appropriately utilize and purchase  
17 health care services, including the development of flexible benefit  
18 plans to offset increases in individual financial responsibility;

19 (ii) Utilization of provider arrangements that encourage cost  
20 containment, including but not limited to prepaid delivery systems,  
21 utilization review, and prospective payment methods, and that ensure  
22 access to quality care, including assuring reasonable access to local  
23 providers, especially for employees residing in rural areas;

24 (iii) Coordination of state agency efforts to purchase drugs  
25 effectively as provided in RCW 70.14.050;

26 (iv) Development of recommendations and methods for purchasing  
27 medical equipment and supporting services on a volume discount basis;  
28 and

29 (v) Development of data systems to obtain utilization data from  
30 state-purchased health care programs in order to identify cost centers,  
31 utilization patterns, provider and hospital practice patterns, and  
32 procedure costs, utilizing the information obtained pursuant to RCW  
33 41.05.031;

34 (c) To analyze areas of public and private health care interaction;

35 (d) To provide information and technical and administrative  
36 assistance to the board;

37 (e) To review and approve or deny applications from counties,  
38 municipalities, and other political subdivisions of the state to  
39 provide state-sponsored insurance or self-insurance programs to their

1 employees in accordance with the provisions of RCW 41.04.205, setting  
2 the premium contribution for approved groups as outlined in RCW  
3 41.05.050;

4 (f) To appoint a health care policy technical advisory committee as  
5 required by RCW 41.05.150;

6 (g) To establish billing procedures and collect funds from school  
7 districts and educational service districts under RCW 28A.400.400 in a  
8 way that minimizes the administrative burden on districts; and

9 (h) To promulgate and adopt rules consistent with this chapter as  
10 described in RCW 41.05.160.

11 (2) After July 1, 1995, the public employees' benefits board shall  
12 implement strategies to promote managed competition among employee  
13 health benefit plans ((by January 1, 1995, including but)) in  
14 accordance with the Washington health services commission schedule of  
15 employer requirements. Strategies may include but are not limited to:

16 (a) Standardizing the benefit package;

17 (b) Soliciting competitive bids for the benefit package;

18 (c) Limiting the state's contribution to a percent of the lowest  
19 priced ((sealed bid of a)) qualified plan within a geographical area.  
20 If the state's contribution is less than one hundred percent of the  
21 lowest priced ((sealed)) qualified bid, employee financial  
22 contributions shall be structured on a sliding-scale basis related to  
23 household income;

24 (d) Monitoring the impact of the approach under this subsection  
25 with regards to: Efficiencies in health service delivery, cost shifts  
26 to subscribers, access to and choice of managed care plans state-wide,  
27 and quality of health services. The health care authority shall also  
28 advise on the value of administering a benchmark employer-managed plan  
29 to promote competition among managed care plans. The health care  
30 authority shall report its findings and recommendations to the  
31 legislature by January 1, 1997.

32 **Sec. 2.** RCW 41.05.050 and 1993 c 492 s 216 and 1993 c 386 s 7 are  
33 each reenacted and amended to read as follows:

34 (1) Every department, division, or separate agency of state  
35 government, and such county, municipal, or other political subdivisions  
36 as are covered by this chapter, shall provide contributions to  
37 insurance and health care plans for its employees and their dependents,  
38 the content of such plans to be determined by the authority.

1 Contributions, paid by the county, the municipality, or other political  
2 subdivision for their employees, shall include an amount determined by  
3 the authority to pay such administrative expenses of the authority as  
4 are necessary to administer the plans for employees of those groups.  
5 Contributions to be paid by school districts or educational service  
6 districts shall be adjusted by the authority to reflect that retired  
7 school employees are covered under RCW 41.05.250, and are not covered  
8 under RCW 41.05.080. All such contributions will be paid into the  
9 public employees' health insurance account.

10 (2) The contributions of any department, division, or separate  
11 agency of the state government, and such county, municipal, or other  
12 political subdivisions as are covered by this chapter, shall be set by  
13 the authority, subject to the approval of the governor for availability  
14 of funds as specifically appropriated by the legislature for that  
15 purpose. Insurance and health care contributions for ferry employees  
16 shall be governed by RCW 47.64.270 until December 31, 1996. On and  
17 after January 1, 1997, ferry employees shall enroll with certified  
18 health plans under chapter 492, Laws of 1993.

19 ~~(3) ((The administrator with the assistance of the public~~  
20 ~~employees' benefits board shall survey private industry and public~~  
21 ~~employers in the state of Washington to determine the average employer~~  
22 ~~contribution for group insurance programs under the jurisdiction of the~~  
23 ~~authority. Such survey shall be conducted during each even numbered~~  
24 ~~year but may be conducted more frequently. The survey shall be~~  
25 ~~reported to the authority for its use in setting the amount of the~~  
26 ~~recommended employer contribution to the employee insurance benefit~~  
27 ~~program covered by this chapter.))~~ The authority shall transmit a  
28 recommendation for the amount of the employer contribution to the  
29 governor and the director of financial management for inclusion in the  
30 proposed budgets submitted to the legislature.

31 **Sec. 3.** RCW 41.05.075 and 1993 c 386 s 10 are each amended to read  
32 as follows:

33 (1) The administrator shall provide benefit plans designed by the  
34 board through a contract or contracts with insuring entities, through  
35 self-funding, self-insurance, or other methods of providing insurance  
36 coverage authorized by RCW 41.05.140.

37 (2) The administrator shall establish a contract bidding process  
38 that encourages competition among insuring entities, is timely to the

1 state budgetary process, and sets conditions for awarding contracts to  
2 any insuring entity.

3 (3) The administrator shall establish a requirement for review of  
4 utilization and financial data from participating insuring entities on  
5 a quarterly basis.

6 (4) The administrator shall centralize the enrollment files for all  
7 employee and retired or disabled school employee health plans offered  
8 under chapter 41.05 RCW and develop enrollment demographics on a plan-  
9 specific basis.

10 ~~(5) ((The administrator shall establish methods for collecting,~~  
11 ~~analyzing, and disseminating to covered individuals information on the~~  
12 ~~cost and quality of services rendered by individual health care~~  
13 ~~providers.~~

14 ~~(6))~~ All claims data shall be the property of the state. The  
15 administrator may require of any insuring entity that submits a bid to  
16 contract for coverage all information deemed necessary to fulfill the  
17 administrator's duties as set forth in this chapter.

18 ~~((7))~~ (6) All contracts with insuring entities for the provision  
19 of health care benefits shall provide that the beneficiaries of such  
20 benefit plans may use on an equal participation basis the services of  
21 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,  
22 18.57, 18.71, 18.74, 18.83, and 18.88 RCW. However, nothing in this  
23 subsection may preclude the administrator from establishing appropriate  
24 utilization controls approved pursuant to RCW 41.05.065(2) (a)(i), (b),  
25 and (d).

26 ~~((8))~~ (7) Beginning in January 1990, and each January thereafter,  
27 the administrator shall publish and distribute to each school district  
28 a description of health care benefit plans available through the  
29 authority and the estimated cost if school district employees were  
30 enrolled.

31 **Sec. 4.** RCW 70.47.020 and 1993 c 492 s 209 are each amended to  
32 read as follows:

33 As used in this chapter:

34 (1) "Washington basic health plan" or "plan" means the system of  
35 enrollment and payment on a prepaid capitated basis for basic health  
36 care services, administered by the plan administrator through  
37 participating managed health care systems, created by this chapter.

1 (2) "Administrator" means the Washington basic health plan  
2 administrator, who also holds the position of administrator of the  
3 Washington state health care authority.

4 (3) "Managed health care system" means any health care  
5 organization, including health care providers, insurers, health care  
6 service contractors, health maintenance organizations, or any  
7 combination thereof, that provides directly or by contract basic health  
8 care services, as defined by the administrator and rendered by duly  
9 licensed providers, on a prepaid capitated basis to a defined patient  
10 population enrolled in the plan and in the managed health care system.  
11 On and after July 1, 1995, "managed health care system" means a  
12 certified health plan, as defined in RCW 43.72.010.

13 (4) "Subsidized enrollee" means an individual, or an individual  
14 plus the individual's spouse or dependent children, not eligible for  
15 medicare, who resides in an area of the state served by a managed  
16 health care system participating in the plan, whose gross family income  
17 at the time of enrollment does not exceed twice the federal poverty  
18 level as adjusted for family size and determined annually by the  
19 federal department of health and human services, who the administrator  
20 determines (~~((at the time of application does))~~) shall not have, or shall  
21 not have voluntarily relinquished health insurance more comprehensive  
22 than that offered by the plan as of the effective date of enrollment,  
23 and who chooses to obtain basic health care coverage from a particular  
24 managed health care system in return for periodic payments to the plan.

25 (5) "Nonsubsidized enrollee" means an individual, or an individual  
26 plus the individual's spouse or dependent children, not eligible for  
27 medicare, who resides in an area of the state served by a managed  
28 health care system participating in the plan, who the administrator  
29 determines (~~((at the time of application does))~~) shall not have, or shall  
30 not have voluntarily relinquished health insurance more comprehensive  
31 than that offered by the plan as of the effective date of enrollment,  
32 and who chooses to obtain basic health care coverage from a particular  
33 managed health care system, and who pays or on whose behalf is paid the  
34 full costs for participation in the plan, without any subsidy from the  
35 plan.

36 (6) "Subsidy" means the difference between the amount of periodic  
37 payment the administrator makes to a managed health care system on  
38 behalf of a subsidized enrollee plus the administrative cost to the  
39 plan of providing the plan to that subsidized enrollee, and the amount

1 determined to be the subsidized enrollee's responsibility under RCW  
2 70.47.060(2).

3 (7) "Premium" means a periodic payment, based upon gross family  
4 income which an individual, their employer or another financial sponsor  
5 makes to the plan as consideration for enrollment in the plan as a  
6 subsidized enrollee or a nonsubsidized enrollee.

7 (8) "Rate" means the per capita amount, negotiated by the  
8 administrator with and paid to a participating managed health care  
9 system, that is based upon the enrollment of subsidized and  
10 nonsubsidized enrollees in the plan and in that system.

11 **Sec. 5.** RCW 70.47.060 and 1993 c 492 s 212 are each amended to  
12 read as follows:

13 The administrator has the following powers and duties:

14 (1) To design and from time to time revise a schedule of covered  
15 basic health care services, including physician services, inpatient and  
16 outpatient hospital services, prescription drugs and medications, and  
17 other services that may be necessary for basic health care, which  
18 subsidized and nonsubsidized enrollees in any participating managed  
19 health care system under the Washington basic health plan shall be  
20 entitled to receive in return for premium payments to the plan. The  
21 schedule of services shall emphasize proven preventive and primary  
22 health care and shall include all services necessary for prenatal,  
23 postnatal, and well-child care. However, with respect to coverage for  
24 groups of subsidized enrollees who are eligible to receive prenatal and  
25 postnatal services through the medical assistance program under chapter  
26 74.09 RCW, the administrator shall not contract for such services  
27 except to the extent that such services are necessary over not more  
28 than a one-month period in order to maintain continuity of care after  
29 diagnosis of pregnancy by the managed care provider. The schedule of  
30 services shall also include a separate schedule of basic health care  
31 services for children, eighteen years of age and younger, for those  
32 subsidized or nonsubsidized enrollees who choose to secure basic  
33 coverage through the plan only for their dependent children. In  
34 designing and revising the schedule of services, the administrator  
35 shall consider the guidelines for assessing health services under the  
36 mandated benefits act of 1984, RCW 48.42.080, and such other factors as  
37 the administrator deems appropriate. On and after July 1, 1995, the  
38 uniform benefits package adopted and from time to time revised by the

1 Washington health services commission pursuant to RCW 43.72.130 shall  
2 be implemented by the administrator as the schedule of covered basic  
3 health care services. However, with respect to coverage for subsidized  
4 enrollees who are eligible to receive prenatal and postnatal services  
5 through the medical assistance program under chapter 74.09 RCW, the  
6 administrator shall not contract for such services except to the extent  
7 that the services are necessary over not more than a one-month period  
8 in order to maintain continuity of care after diagnosis of pregnancy by  
9 the managed care provider.

10 (2)(a) To design and implement a structure of periodic premiums due  
11 the administrator from subsidized enrollees that is based upon gross  
12 family income, giving appropriate consideration to family size and the  
13 ages of all family members. The enrollment of children shall not  
14 require the enrollment of their parent or parents who are eligible for  
15 the plan. The structure of periodic premiums shall be applied to  
16 subsidized enrollees entering the plan as individuals pursuant to  
17 subsection (9) of this section and to the share of the cost of the plan  
18 due from subsidized enrollees entering the plan as employees pursuant  
19 to subsection (10) of this section.

20 (b) To determine the periodic premiums due the administrator from  
21 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees  
22 shall be in an amount equal to the cost charged by the managed health  
23 care system provider to the state for the plan plus the administrative  
24 cost of providing the plan to those enrollees and the ~~((appropriate))~~  
25 premium tax ~~((as provided by law))~~ under RCW 48.14.0201.

26 (c) An employer or other financial sponsor may, with the prior  
27 approval of the administrator, pay the premium, rate, or any other  
28 amount on behalf of a subsidized or nonsubsidized enrollee, by  
29 arrangement with the enrollee and through a mechanism acceptable to the  
30 administrator, but in no case shall the payment made on behalf of the  
31 enrollee exceed the total premiums due from the enrollee.

32 (3) To design and implement a structure of copayments due a managed  
33 health care system from subsidized and nonsubsidized enrollees. The  
34 structure shall discourage inappropriate enrollee utilization of health  
35 care services, but shall not be so costly to enrollees as to constitute  
36 a barrier to appropriate utilization of necessary health care services.  
37 On and after July 1, 1995, the administrator shall endeavor to make the  
38 copayments structure of the plan consistent with enrollee point of

1 service cost-sharing levels adopted by the Washington health services  
2 commission, giving consideration to funding available to the plan.

3 (4) To limit enrollment of persons who qualify for subsidies so as  
4 to prevent an overexpenditure of appropriations for such purposes.  
5 Whenever the administrator finds that there is danger of such an  
6 overexpenditure, the administrator shall close enrollment until the  
7 administrator finds the danger no longer exists.

8 (5) To limit the payment of subsidies to subsidized enrollees, as  
9 defined in RCW 70.47.020.

10 (6) To adopt a schedule for the orderly development of the delivery  
11 of services and availability of the plan to residents of the state,  
12 subject to the limitations contained in RCW 70.47.080 or any act  
13 appropriating funds for the plan.

14 (7) To solicit and accept applications from managed health care  
15 systems, as defined in this chapter, for inclusion as eligible basic  
16 health care providers under the plan. The administrator shall endeavor  
17 to assure that covered basic health care services are available to any  
18 enrollee of the plan from among a selection of two or more  
19 participating managed health care systems. In adopting any rules or  
20 procedures applicable to managed health care systems and in its  
21 dealings with such systems, the administrator shall consider and make  
22 suitable allowance for the need for health care services and the  
23 differences in local availability of health care resources, along with  
24 other resources, within and among the several areas of the state.  
25 Contracts with participating managed health care systems shall ensure  
26 that basic health plan enrollees who become eligible for medical  
27 assistance may, at their option, continue to receive services from  
28 their existing providers within the managed health care system if such  
29 providers have entered into provider agreements with the department of  
30 social and health services.

31 (8) To receive periodic premiums from or on behalf of subsidized  
32 and nonsubsidized enrollees, deposit them in the basic health plan  
33 operating account, keep records of enrollee status, and authorize  
34 periodic payments to managed health care systems on the basis of the  
35 number of enrollees participating in the respective managed health care  
36 systems.

37 (9) To accept applications from individuals residing in areas  
38 served by the plan, on behalf of themselves and their spouses and  
39 dependent children, for enrollment in the Washington basic health plan

1 as subsidized or nonsubsidized enrollees, to establish appropriate  
2 minimum-enrollment periods for enrollees as may be necessary, and to  
3 determine, upon application and at least semiannually thereafter, or at  
4 the request of any enrollee, eligibility due to current gross family  
5 income for sliding scale premiums. No subsidy may be paid with  
6 respect to any enrollee whose current gross family income exceeds twice  
7 the federal poverty level or, subject to RCW 70.47.110, who is a  
8 recipient of medical assistance or medical care services under chapter  
9 74.09 RCW. If, as a result of an eligibility review, the administrator  
10 determines that a subsidized enrollee's income exceeds twice the  
11 federal poverty level and that the enrollee knowingly failed to inform  
12 the plan of such increase in income, the administrator may bill the  
13 enrollee for the subsidy paid on the enrollee's behalf during the  
14 period of time that the enrollee's income exceeded twice the federal  
15 poverty level. If a number of enrollees drop their enrollment for no  
16 apparent good cause, the administrator may establish appropriate rules  
17 or requirements that are applicable to such individuals before they  
18 will be allowed to re-enroll in the plan.

19 (10) To accept applications from business owners on behalf of  
20 themselves and their employees, spouses, and dependent children, as  
21 subsidized or nonsubsidized enrollees, who reside in an area served by  
22 the plan. The administrator may require all or the substantial  
23 majority of the eligible employees of such businesses to enroll in the  
24 plan and establish those procedures necessary to facilitate the orderly  
25 enrollment of groups in the plan and into a managed health care system.  
26 The administrator shall require that a business owner pay at least  
27 fifty percent of the nonsubsidized premium cost of the plan on behalf  
28 of each employee enrolled in the plan. Enrollment is limited to those  
29 not eligible for medicare who wish to enroll in the plan and choose to  
30 obtain the basic health care coverage and services from a managed care  
31 system participating in the plan. The administrator shall adjust the  
32 amount determined to be due on behalf of or from all such enrollees  
33 whenever the amount negotiated by the administrator with the  
34 participating managed health care system or systems is modified or the  
35 administrative cost of providing the plan to such enrollees changes.

36 (11) To determine the rate to be paid to each participating managed  
37 health care system in return for the provision of covered basic health  
38 care services to enrollees in the system. Although the schedule of  
39 covered basic health care services will be the same for similar

1 enrollees, the rates negotiated with participating managed health care  
2 systems may vary among the systems. In negotiating rates with  
3 participating systems, the administrator shall consider the  
4 characteristics of the populations served by the respective systems,  
5 economic circumstances of the local area, the need to conserve the  
6 resources of the basic health plan trust account, and other factors the  
7 administrator finds relevant.

8 (12) To monitor the provision of covered services to enrollees by  
9 participating managed health care systems in order to assure enrollee  
10 access to good quality basic health care, to require periodic data  
11 reports concerning the utilization of health care services rendered to  
12 enrollees in order to provide adequate information for evaluation, and  
13 to inspect the books and records of participating managed health care  
14 systems to assure compliance with the purposes of this chapter. In  
15 requiring reports from participating managed health care systems,  
16 including data on services rendered enrollees, the administrator shall  
17 endeavor to minimize costs, both to the managed health care systems and  
18 to the plan. The administrator shall coordinate any such reporting  
19 requirements with other state agencies, such as the insurance  
20 commissioner and the department of health, to minimize duplication of  
21 effort.

22 (13) To evaluate the effects this chapter has on private employer-  
23 based health care coverage and to take appropriate measures consistent  
24 with state and federal statutes that will discourage the reduction of  
25 such coverage in the state.

26 (14) To develop a program of proven preventive health measures and  
27 to integrate it into the plan wherever possible and consistent with  
28 this chapter.

29 (15) To provide, consistent with available funding, assistance for  
30 rural residents, underserved populations, and persons of color.

31 **Sec. 6.** RCW 70.47.130 and 1987 1st ex.s. c 5 s 15 are each amended  
32 to read as follows:

33 The activities and operations of the Washington basic health plan  
34 under this chapter, including those of managed health care systems to  
35 the extent of their participation in the plan, are exempt from the  
36 provisions and requirements of Title 48 RCW, except as provided in RCW  
37 70.47.070 and that the premium and prepayment tax imposed under RCW  
38 48.14.0201 shall apply to amounts paid to a managed health care system

1 by the basic health plan for participating in the basic health plan and  
2 providing health care services for nonsubsidized enrollees in the basic  
3 health plan. The purpose of the 1994 amendatory language to this  
4 section in chapter . . . , Laws of 1994 (this act) is to clarify the  
5 intent of the legislature that premiums paid on behalf of nonsubsidized  
6 enrollees in the basic health plan are subject to the premium and  
7 prepayment tax. The legislature does not consider this clarifying  
8 language to either raise existing taxes nor to impose a tax that did  
9 not exist previously.

10 NEW SECTION. Sec. 7. If a court in a permanent injunction,  
11 permanent order, or final decision determines that the amendments made  
12 by sections 5 and 6 of this act must be submitted to the people for  
13 their adoption and ratification, or rejection, as a result of section  
14 13, chapter 2, Laws of 1994, the amendments made by sections 5 and 6 of  
15 this act shall be null and void.

--- END ---